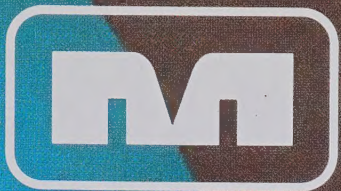


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ROBERT MORSE
CORPORATION LIMITED

ANNUAL REPORT 1971

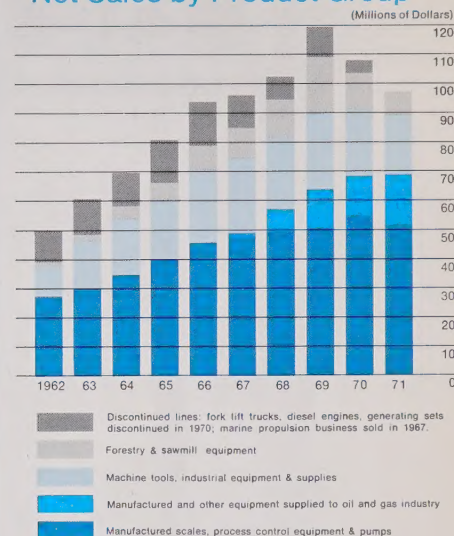


Summary

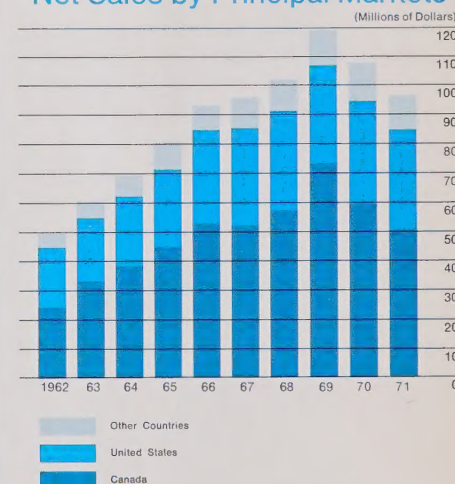
	<u>1971</u>	<u>1970</u>
Orders Booked	\$ 93,357,000	\$102,681,000
Net Sales	96,983,742	107,667,375
Backlog	23,419,000	27,046,000
Income Before Taxes and Extraordinary Items	1,896,730	2,157,822
Income Taxes	1,001,395	1,648,669
Income Before Extraordinary Items	895,335	509,153
Extraordinary Items	—	701,485
Net Income (Loss)	895,335	(192,332)
Earnings per Share		
Before Extraordinary Items		
Class A	0.70	0.19
Class B	0.32	—
After Extraordinary Items		
Class A	0.70	(0.68)
Class B	0.32	(0.68)
Depreciation	1,056,300	1,106,421
Working Capital	14,136,535	13,365,656*
Total Assets	56,166,755	58,332,649*
Shareholders' Equity	17,789,019	18,267,646*

* Restated to reflect prior years' adjustments.

Net Sales by Product Group



Net Sales by Principal Markets



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Directors and Officers	16
Organization	Inside back cover



Cover

Howe Richardson Scale Company's new TELE-PRINT^(TM) dial scale attachment with exclusive TELE-TOUCH pushbutton feature. Up to twelve positions of numeric identification can be printed on ticket, form or tape simultaneously with weight and other data. Selected numbers are illuminated immediately on the digital display panel at top.

To our Shareholders

Our 1971 operations were marked by a trend of rising profitability, which would have been sharper but for economic weakness in the Canadian market.

Consolidated net income rose to \$895,000 from a loss in the previous year of \$192,000 which included extraordinary losses aggregating \$701,000. This gain, in the face of a \$10,000,000 decline in consolidated net sales, resulted from considerably higher earnings by the fluids equipment group, reduced interest expense, a lower effective income tax rate, and selective reduction of operating and overhead expenses.

Both Johnston Pump Company and Cessco Division achieved new sales and income records last year and expect to show further progress in 1972. In their common function of producing and supplying equipment for handling fluids, they are leaders in serving such strongly expanding segments of the economy as electric power generation, water treatment, pollution control, and the recovery, processing and movement of oil and natural gas.

In order to keep pace with the rapid development of their markets, these units are now faced with the necessity of expanding certain production and servicing facilities. To help finance these expansions, the Directors have acted to reduce the dividend rates on Class A and B shares from annual rates of \$1.00 and 90 cents per share to 70 cents and 60 cents respectively. The preferred share dividends remain unchanged. We are conscious of the importance our shareholders attach to a good yield on their investment and are confident this move will be to their long-term advantage.

Sales and earnings of Howe Richardson Scale Company fell off from the previous year's record level, largely because of the deferment of capital projects by its customers. The Company did not interrupt its aggressive product development and marketing programs, however, which have brought it to a leading position in the industry. Bookings are now in a firmly established uptrend, and a solid earnings recovery is expected in 1972.

The overseas group of scale companies again made a good contribution. The British companies carried over a few large projects into 1972 and should have another excellent year.

In October we sold our Mexican pump business to ITT and entered into a licensing agreement with their subsidiary in Mexico for the production and sale of Johnston pumps in that country. The transaction recovered a capital investment from an operation which was too small and distant for efficient management, and which in fact lost money on its 1971 operations. Our small Mexican scale business was transferred to a successful Mexican scale manufacturer.

A \$12,500,000 decline in sales, large write-offs of slow moving forestry equipment, and higher than normal provisions for doubtful accounts resulted in an operating loss in the Canadian Distribution Division. Part of the reduction in sales was due to our planned withdrawal from certain unprofitable lines, and part was attributable to a weak Canadian market for capital equipment. We are pleased to report that an order uptrend is now underway, which should combine with the expense reduction accom-

(continued)

To our Shareholders

(continued)

plished over the past two years to produce a good improvement in 1972 operating results.

At the end of the year Howe Richardson Scale Company arranged a \$2,000,000 loan repayable over five years with the First National City Bank and New Jersey Bank N.A., its U.S. bankers of many years' standing. Proceeds were used to retire a maturing debenture held by Richardson Corporation.

Last year our effective average rate of income tax returned to a more normal level. This rate is expected to decline further this year as tax losses carried forward are utilized by units with improving earnings.

The economic outlook for 1972 is seen as one of continuing improvement, and all major units of the Company should contribute to a further improvement in operating results.

Our progress during the past year was made possible by the loyal efforts of our employees and the strong support of our customers and suppliers. To them we extend our deep appreciation and thanks.

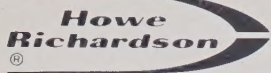
On behalf of the Board of Directors,



President and Chief Executive Officer

April 7, 1972.

Howe Richardson Scale Company



While deferments by customers of large capital projects contributed importantly to a lower volume of business and reduced earnings in 1971, the Company continued its strong drive to improve and broaden its product line and marketing capacity.

A major product accomplishment was the development of Tele-Print (shown on cover) for use with motor truck and general industrial dial-type scales which also require a printer. An exclusive feature of Tele-Print is Tele-Touch, a unique serial entry identifier which provides up to twelve positions of numeric identification using a ten push button panel. Weights and serial information print out quietly, at high speed and can be simultaneously transmitted to any modern electronic data system.

Howe Richardson has entered into an agreement with Basic Packaging Systems Inc. (formerly a Dow Chemical unit) for the exclusive design and manufacture of automatic machines to fill Basic Packag-

ing's patented plastic bags. These are now being used to package citrus fruit, sugar, detergents, marble chips and peat moss. A new electronic control system for high speed bagging was also developed.

The ABC Division entered the railroad weighing field with a computerized system to weigh railroad cars in motion, while loading. Weights of individual cars and train averages are shown on video monitor and automatically printed out to avoid the heavy costs and penalties resulting from over and under loading.

Howe Richardson also rounded out its automatic batch and package weighing lines in the low capacity field (below 25 lbs) by taking over the designs of Glengarry Processes, Inc.

A new line of bench, portable and dial scales — the XL Line — selling for approximately one third below competitive units was launched in 1971. Low cost production is achieved by a modular concept, high volume and excellent tooling.

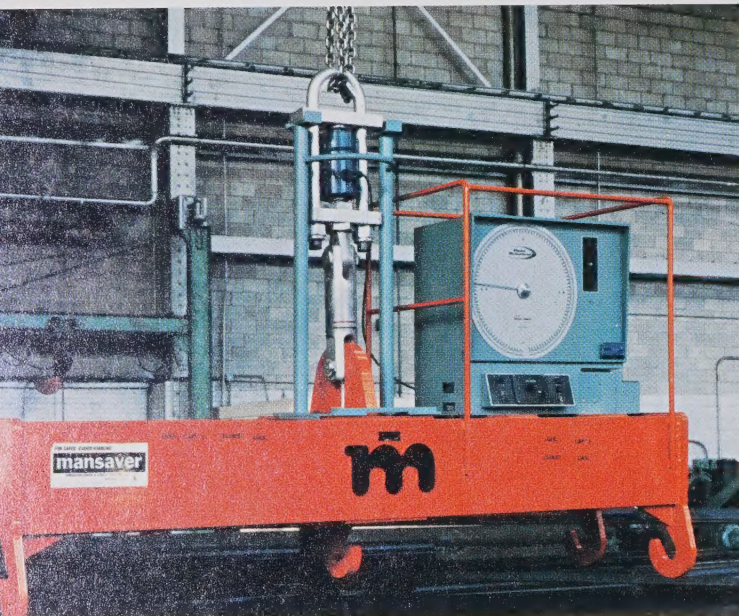
Large systems supplied to customers in 1971 included a ceramic weighing system, a plastic casting process including scales, controls and air-veying equipment and two glass batching systems. Another large glass batching system with 42 scales and complete weighing and mixer controls is being engineered for delivery in mid-1972.

A new scale distribution company, United Scales of America Inc., was formed to distribute standard industrial scale products through the large U.S. scale dealer network.

Export orders softened to the extent of 12 per cent from 1970's record level, but current indications are that 1972 will be a strong export year.



Giant container carrier drives over built-in 70' x 20' Howe Richardson scale at Halifax, N.S. Weight is electronically monitored and recorded in a remote control room.



Load cell overhead crane scale with indicator and remote controlled printer on special lifting device carries and weighs up to 20 tons of copper bars at a time.

The outlook in the domestic market is also encouraging. Bookings gradually picked up in the last six months of 1971 and have continued to strengthen in the first part of 1972. In view of the extended lead-time between orders and deliveries in the larger units sold, the full effect on sales and earnings will only be realized in the second half of the year.

Canadian Operations

A lower level of business and stiff price competition resulted in a reduced volume of sales for the Canadian Division in 1971. However, manufacturing and marketing are now more closely integrated with Howe Richardson Scale Company in the U.S. and progress was made in diversifying its operations during the year.

Magnaprint systems (for printing out weights and other identifying information in large characters) and heavy capacity portable vehicle scales continued in strong demand. Inroads are being made into the continuous weighing field with products of Howe Richardson's ABC Division. Orders

were also received for axle-load wheel weighers, batching systems and electronic weighing equipment for major industrial applications.

The Division is in a good position to take advantage of an upswing in the economy and is gradually increasing its export business.

Overseas Operations

Although the British economy was in a relatively low state, our British subsidiaries, *Howe Richardson Scale Co. Limited* and *Midland Sheet Metal (Nottingham) Limited*, again reported record bookings for 1971. However, as a substantial volume of large systems orders included in the 1970 year-end backlog will not be completed until 1972, actual shipments and profits were below the previous year's high levels.

The Companies continue to enjoy an important volume of export as well as domestic business. The 1972 opening backlog is again the highest in their history and profit prospects for the current year are excellent.

Richardson Scale Company (France) S.A. entered 1971 with a good order backlog and achieved record shipments but profits fell below expectations due to a strong inflationary trend which substantially increased manufacturing costs. The Company closed the year with a satisfactory backlog and anticipates improved results in the current year.

In a year of economic recession and world monetary instability, *Howe Richardson Scale Co. Pty. Limited, Australia*, was able to achieve record sales in 1971 and substantially increased earnings. The outlook for 1972 is largely dependent on the tone of the Australian economy.

Howe Richardson Scale (Africa) (Proprietary) Limited, South Africa, again had record sales but results were adversely affected by inflationary factors. With a record opening backlog and a stabilized economy, the prospects for 1972 are more favourable.

Consolidated Statement of Income

	Year ended December 31	
	1971	1970
Net sales	\$96,983,742	\$107,667,375
Income from operations for the year, before the undernoted items	\$ 4,563,912	\$ 5,410,350
Interest (including \$387,767 on long-term debt)	1,607,804	2,145,322
Depreciation	1,056,300	1,106,421
Minority interest	3,078	785
	2,667,182	3,252,528
Income before taxes and extraordinary items	1,896,730	2,157,822
Income taxes	1,001,395	1,648,669
Income before extraordinary items (Note 4)	895,335	509,153
Extraordinary items (Note 3)	—	701,485
Net income (loss) (Note 4)	\$ 895,335	\$ (192,332)

Consolidated Statement of Retained Earnings

	Year ended December 31	
	1971	1970
Balance at beginning of year:		
As previously reported	\$7,564,340	\$ 9,149,536
Prior years' income tax adjustments	209,300	209,300
As restated	7,355,040	8,940,236
Net income (loss)	895,335	(192,332)
	8,250,375	8,747,904
Less: Payment of guarantee price in respect of share purchase warrant (Note 6)	171,904	169,350
	8,078,471	8,578,554
Dividends:		
Series A Preferred shares — \$2.75 (\$2.75 in 1970)	193,985	193,985
Series B Preferred shares — \$2.75 (\$2.75 in 1970)	198,000	198,000
Class A shares — \$1.00 (\$1.00 in 1970)	602,807	602,807
Class B shares — \$0.90 (\$0.90 in 1970)	228,722	228,722
	1,223,514	1,223,514
Balance at end of year	\$ 6,854,957	\$ 7,355,040

Consolidated Balance Sheet

ASSETS	December 31	
	<u>1971</u>	<u>1970</u>
Current assets:		
Cash	\$ 1,108,010	\$ 684,848
Accounts and notes receivable	22,728,479	23,029,231
Income taxes recoverable	82,292	105,941*
Inventories (at the lower of cost and net realizable value):		
Finished products, manufactured or purchased	12,279,525	14,474,486
Work-in-process	4,420,140	4,297,182
Raw materials and supplies	4,085,303	4,108,627
	<u>20,784,968</u>	<u>22,880,295</u>
Prepaid expenses	685,838	565,436
	<u>45,389,587</u>	<u>47,265,751</u>
Fixed assets, at cost:		
Land	750,414	730,853
Buildings	5,540,713	5,291,848
Plant and equipment	11,364,418	11,408,267
	<u>17,655,545</u>	<u>17,430,968</u>
Less: Accumulated depreciation	9,013,042	8,470,721
	<u>8,642,503</u>	<u>8,960,247</u>
Premium on shares of subsidiaries (at cost, less amounts written off)	2,134,665	2,106,651
	<u>\$56,166,755</u>	<u>\$58,332,649</u>

Approved by the Board:

R. H. Morse, III, Director

R. Smillie, Director

LIABILITIES	December 31	
	<u>1971</u>	<u>1970</u>
Current liabilities:		
Bank indebtedness (secured \$8,818,509)	\$13,364,792	\$14,506,974
Notes payable	4,819,639	3,969,423
Trade and other accounts payable	11,336,391	12,241,747
Income and other taxes	798,456	1,062,355*
Instalments on long-term debt (Note 5)	<u>933,774</u>	<u>2,119,596</u>
	31,253,052	33,900,095
Deferred income taxes	902,732	927,530
Long-term debt (Note 5)	6,194,116	5,173,218
Minority interest in subsidiaries	49,292	64,160
Shareholders' equity:		
Capital stock (Note 6)—		
Authorized—		
200,000 preferred shares of the par value of \$50 each, issuable in series		
4,000,000 Class A shares without nominal or par value		
2,000,000 Class B shares without nominal or par value		
Issued—		
5½ % cumulative redeemable convertible preferred shares		
70,540 Series A shares	3,527,000	3,527,000
72,000 Series B shares	3,600,000	3,600,000
Shares without nominal or par value		
602,807 Class A shares	3,785,606	3,785,606
254,135 Class B shares		
	<u>10,912,606</u>	<u>10,912,606</u>
Retained earnings (Note 7)	<u>6,854,957</u>	<u>7,355,040*</u>
	<u>17,767,563</u>	<u>18,267,646</u>
	<u>\$56,166,755</u>	<u>\$58,332,649</u>

(See Notes to Financial Statements)

* Restated to reflect prior years' adjustments.

Consolidated Statement of Source and Application of Funds

	Year ended December 31	
	<u>1971</u>	<u>1970</u>
Funds provided:		
From operations —		
Net income before extraordinary items	\$ 895,335	\$ 509,153
Depreciation	1,056,300	1,106,421
Deferred income taxes	(24,798)	69,375
	<u>1,926,837</u>	<u>1,684,949</u>
Net loss from extraordinary items (Note 3)	—	(701,485)
Increase in long-term debt	1,020,898	—
	<u>2,947,735</u>	<u>983,464</u>
Funds applied:		
Reduction of long-term debt	—	1,793,065
Dividends paid	1,223,514	1,223,514
Additions to fixed assets (net)	738,556	916,229
Payment of guarantee price in respect of share purchase warrant (Note 6)	171,904	169,350
Prior years' income tax adjustments	—	209,300*
Other	42,882	(785)
	<u>2,176,856</u>	<u>4,310,673</u>
Increase (decrease) in working capital	<u>\$ 770,879</u>	<u>\$(3,327,209)*</u>

Robert Morse Corporation Limited

and Subsidiary Companies

Notes to Consolidated Financial Statements

December 31, 1971

1. BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of Robert Morse Corporation Limited and those of all of its subsidiary companies.

Accounts of subsidiaries expressed in currencies other than Canadian have been translated into Canadian dollars at rates of exchange current at December 31, 1971 except (a) fixed assets, long-term liabilities and depreciation provision, at rates prevailing at dates of acquisition or issue, (b) deferred income taxes at rates prevailing at dates of origin and (c) income and expenses (other than depreciation) at the average rates of exchange in effect during the year.

2. REMUNERATION OF DIRECTORS AND OFFICERS

In 1971 the Company had twelve directors (six of whom were also officers) and two past directors whose aggregate remuneration as directors amounted to \$20,699 (\$11,711 in 1970). The Company had nine officers whose aggregate remuneration as officers amounted to \$371,092 (\$421,025 for eleven officers in 1970). Apart from officers' remuneration of \$44,776 paid by one subsidiary (\$72,027 by two subsidiaries in 1970) all directors' and officers' remuneration was paid by the Company.

3. EXTRAORDINARY ITEMS

The extraordinary items in 1970 consisted of the following:

Cost of discontinuance of the lift truck and generator set businesses	\$367,389
Loss on withdrawal from a long-term gas processing venture of Mid-Western Compressor Supplies Ltd.	233,405
Net loss on foreign exchange resulting from the revaluation of the Canadian dollar	136,645
Final adjustment of gain on sale of marine propulsion business (sold in 1967 at a price subject to adjustment on completion of contracts)	(35,954)
	<u>\$701,485</u>

4. EARNINGS PER SHARE

	1971		1970
	Net income for year	Before extraordinary items	Net income for year
Class A	\$0.70	\$0.19	\$(0.68)
Class B	\$0.32	\$ —	\$(0.68)

There would be no significant dilution in earnings per share if all conversion and option privileges described in Note 6 were exercised.

5. LONG-TERM DEBT

	1971	1970
Note* payable in semi-annual instalments of U.S. \$91,386 to 1990 (effective interest rate 5.15%)	\$2,456,898	\$2,537,012
Note* payable in semi-annual instalments of U.S. \$126,183 to 1975 (effective interest rate 5.15%)	964,937	1,185,376
Bank loans** payable in semi-annual instalments of U.S. \$200,000 to 1976 (interest ½ % above bank base rate)	2,005,000	—
6% Subordinated debentures* U.S. \$1,500,000 due in 1971	—	1,515,000
6½ % Mortgage loan* payable quarterly to 1987	1,441,766	1,485,527
6% Subordinated serial notes* payable U.S. \$68,893 annually to 1972	—	69,582
Other term obligations, payable on or before July 15, 1973	259,289	500,317
	<u>7,127,890</u>	<u>7,292,814</u>
Less: Amounts due within one year, included with current liabilities	933,774	2,119,596
	<u>\$6,194,116</u>	<u>\$5,173,218</u>

* Secured by collateral mortgages or trust deeds against fixed assets.

** Secured by pledge of outstanding capital stock of a subsidiary.

6. CAPITAL STOCK

(a) Preferred shares:

The 5½ % cumulative redeemable convertible preferred shares are redeemable at any time, at the Company's option, at par.

(b) Class A shares:

The holders of Class A shares are entitled to a cumulative annual dividend of 70¢ per share and to participate equally in further amounts per share after payment of a non-cumulative dividend of 60¢ per share on Class B shares. The Class A shares are non-voting unless arrears of cumulative dividends aggregate \$1.40 per share.

The Company may purchase for cancellation any or all of the outstanding Class A shares by invitation for tenders addressed to all holders or in the open market, after having notified vendors that the Company is the purchaser.

(c) Conversion privileges and warrant:

(i) The conversion privilege attached to the Series A preferred shares entitles the holders thereof to convert each preferred share at any time into 2½ Class A shares upon payment to the Company of \$7.50 for each preferred share converted.

(ii) The conversion privilege attached to the Series B preferred shares entitles the holders thereof to convert each preferred share at any time into 2 Class A shares upon payment to the Company of \$2.00 for each preferred share converted.

(iii) In 1962 the Company issued a warrant, exercisable to December 31, 1971, for the purchase of up to 150,000 Class A shares of the Company at a price of U.S. \$10 per share. In 1968 the terms of this warrant were amended so as to provide for the annual exercise of the rights under the warrant, commencing in 1969, to the extent of 2% of the aggregate number of Class A and Class B shares outstanding at the previous year end. In consideration for the amendment of the warrant, the Company has given its original holder a non-transferable guarantee of a net price, upon sale or transfer of any part of the warrant, equal to not less than the difference between \$20 Canadian and the Canadian equivalent of U.S. \$10 per share. In 1971 rights with respect to 17,139 Class A shares were cancelled

upon payment by the Company to the holder of the warrant of \$171,904 representing the guaranteed price with respect to such shares. This payment has been charged to retained earnings. To December 31, 1971 rights with respect to 51,205 Class A shares have been exercised or cancelled and, in accordance with the provisions of the warrant, 17,139 Class A shares will be issued in 1972 or rights to such shares not issued will be cancelled upon payment of the guarantee.

(d) Reservation of shares:

Class A shares are reserved as follows:

For conversion privilege attached to Series A preferred shares	176,350
For conversion privilege attached to Series B preferred shares	144,000
For warrant issued in 1962 exercisable at U.S. \$10 per share	98,795
For issue to Trustees of the Company's Stock Purchase Plan at a price to be determined at date of issue . .	5,000
For an option granted in 1968 to an officer of a subsidiary exercisable at \$18 per share to February 15, 1973	3,000
For an option granted in 1970 to an officer of a subsidiary exercisable at \$15 per share to November 14, 1975	3,000
Total Class A shares reserved	<u>430,145</u>

7. RETAINED EARNINGS

The provisions attached to the Series A and Series B preferred shares restrict to \$1,787,128 the amount of retained earnings as at December 31, 1971 available for payment of dividends on Class A and Class B shares or for purchase for cancellation of Class A shares.

8. COMMITMENTS AND CONTINGENCIES

- (a) For conditional sales contracts discounted \$3,252,458.
- (b) For lease rentals aggregating \$549,700 annually, the major portion being for periods extending from three to twenty years.

9. INCOME TAX

- (a) Two United States subsidiaries have received notices of proposed income tax deficiencies relating to management fees and other inter-company charges and which amount to U.S. \$1,147,000 for the years 1964-68 inclusive. Similar items are present in the years 1969-71.

The proposed deficiencies are being vigorously contested in the U.S. tax courts and the subsidiaries' position is considered strong.

At the suggestion of the Internal Revenue Service and with advice of counsel and auditors, relief has been sought under

the Canada — U.S. Reciprocal Tax Convention from any potential double taxation which could arise for the Company and its subsidiaries. Should the U.S. and Canadian authorities fail to reach a conclusion acceptable to the Company and its U.S. subsidiaries, the latter retain the right to pursue the contestation in the U.S. tax courts and it is the view of counsel that should the case be so tried, the taxpayers would prevail.

There is no way of determining the liability, if any, under these proposed deficiencies at this time. No provision has therefore been made in accompanying financial statements for additional liabilities, if any, which may arise in respect of the years 1964-71 inclusive.

- (b) The Company and certain subsidiaries have an aggregate of approximately \$2,800,000 in tax losses available for deduction from income in determining future years' income taxes payable. No provision has been made in the consolidated accounts for anticipated benefits from future utilization of these losses.

Auditors' Report

To the Shareholders of
Robert Morse Corporation Limited:

We have examined the consolidated balance sheet of Robert Morse Corporation Limited and subsidiary companies as at December 31, 1971 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination of the financial statements of Robert Morse Corporation Limited and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1971 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE WATERHOUSE & CO.
Chartered Accountants

February 29, 1972

Ten-Year Review

(In Thousands of Dollars except for Per Share Data)

	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962
OPERATING RESULTS										
Net Sales	\$ 96,983	\$137,667	\$119,053	\$101,960	\$ 95,574	\$ 93,280	\$ 80,359	\$ 69,422	\$ 60,114	\$ 50,408
Income (Loss) before Taxes	1,896	2,158	3,635	2,890	3,209	3,577	2,558	1,618	1,138	(96)
Income Taxes	1,001	1,649	2,229	1,522	1,396	1,633	1,011	336	136	(121)
Income before Extraordinary Items	895	509	1,456	1,368	1,813	1,944	1,547	1,282	1,002	23
Net Income (Loss)	895	(192)	1,456	2,668	2,433	1,944	1,547	1,282	1,002	23
Preferred Share Dividends	392	392	393	395	321	124	—	—	—	—
Class A and B Share Dividends	832	832	828	817	762	643	531	624	200	275
Depreciation	1,056	1,106	1,046	934	736	620	602	596	539	458
Funds Provided from Operations	1,927	1,685	2,558	2,218	2,705	2,564	2,150	1,678	1,541	511
FINANCIAL POSITION										
Working Capital	\$ 14,137	\$ 13,366(a)	\$ 16,693	\$ 17,180	\$ 19,730	\$ 14,351	\$ 11,724	\$ 6,098	\$ 6,293	\$ 6,426
Total Assets	56,167	58,322(a)	62,885	61,226	52,148	48,990	41,005	36,511	30,377	25,842
Long-Term Debt	6,194	5,173	6,966	7,480	8,149	6,941	7,556	2,990	3,522	3,589
Shareholders' Equity	17,768	18,268(a)	20,062	19,363	19,208	13,636	8,999	8,062	7,330	6,525
SHAREHOLDER INFORMATION										
Per Share										
Earnings (Loss)										
— Class A	0.70	0.19;(0.68)(b)	1.27	1.18;(2.01)(b)	1.87;(2.54)(b)	2.35	2.05	1.73	1.37	0.05
— Class B	0.32	—;(0.66)(a)	1.17	1.08;1.91(b)	1.77;(2.54)(b)	2.25	1.95	1.63	1.27	—
Dividends										
— Preferred A	2.75	2.75	2.75	2.75	2.75	1.72½	—	—	—	—
— Preferred B	2.75	2.75	2.75	2.75	1.71½	—	—	—	—	—
— Class A	1.00	1.00	1.00	1.00	0.97½	0.85	0.72½	1.22½	0.40	0.17½
— Class B	0.90	0.90	0.90	0.90	0.87½	0.75	0.69½	—	—	0.15
Shareholders' Equity — Class A and B	12.42	13.00	15.09	15.12	14.29	12.65	11.58	10.55	9.79	8.72
Average Shares Outstanding										
Class A	603,000	603,000	599,000	589,000	557,000	531,000	517,000	506,000	499,000	499,000
Class B	254,000	254,000	254,000	254,000	254,000	254,000	250,000	250,000	250,000	250,000

(a) Restated to reflect prior years' adjustments

(b) Including extraordinary items

Johnston Pump Company



With 1971 sales again at a new high level, Johnston Pump Company's net operating income also established a record. The increased business came from steadily widening applications of the Company's products and broadening of its markets.

Work proceeded satisfactorily during the year on the large municipal and conservation contracts obtained in 1970. The Company entered into a licensing agreement with Systema Industria Bombas de ITT Mexico, a subsidiary of ITT, which acquired our pump business in Mexico in October. One of the several interesting new orders booked during 1971 was the installation of crude oil pumping equipment, rated at 24,100 gallons per minute at 690 feet total head, on an offshore oil storage and tanker loading facility in the Persian Gulf. Johnston Pump was selected because of the customer's satisfaction with a previous similar, but much smaller installation.

The Company continued its development program in 1971 to retain its competitive edge in products for agricultural, utility and industrial markets. The development of a propeller pump line in the medium head range was implemented to further broaden coverage in these important markets. Good progress was also made during the year towards qualifying for increasingly larger and more sophisticated pumps for the nuclear energy field, one of the largest pump markets available.

Although export sales fell off in 1971, the U.S. Government's exchange and trading policies are expected to enhance Johnston Pump's ability to compete in world markets. An improved level of export business is looked for in 1972.

The increasing momentum and broadening range of the Company's business necessitates constant



Capable of pumping 400,000 gallons per minute, these five Johnston propeller pumps supply water from the Mississippi River to a Louisiana petrochemical plant.

attention to its production facilities. Current planning includes a 12,000 square foot addition to the Glendora plant to increase welding capacity, leasing of a new agricultural distribution center in Amarillo, Texas, and new numerically-controlled tape operated machine tools. Through greater productive capabilities, improvement of quality and cost reductions, these facilities will further strengthen Johnston's immediate competitive position and support its long-term growth.

The Company entered 1972 with a good backlog and looks forward to another strong year of rising profitability.



Aerial photograph of the completed Bigoray Pekisko gas processing plant which Cessco designed and built for Amoco Canada Petroleum near Edmonton, Alberta.

Cessco enjoyed another excellent year with all three areas of operation — Production, Pipeline and Manufacturing — maintaining a high level of activity throughout 1971.

Among major turnkey projects designed and installed by the Production Department was a complete gas processing plant including heaters and wellhead equipment near Drayton Valley, west of Edmonton. The gas plant (shown in photo this page) consists of an amine system for the removal of hydrogen sulphide and carbon dioxide, a refrigeration system for dehydration recovery of the heavier hydrocarbons in the raw gas, and stabilizer to produce a light gasoline product.

The Pipeline Department supplied automatic welding equipment for a major 42" Alberta pipeline project, the first successful Canadian application of this kind. The Department also supplied emergency stopple equipment used to plug pipelines for maintenance purposes or during emergency breaks, and a 42" bending machine for other key pipeline projects. A contract has been received in connection with the first 48" pipeline to be built in

Canada. A machine to cold-bend pipe of this diameter and other related equipment is being purchased.

Cessco has been successful in supplying plastic piping for sanitation and storm drainage applications in major commercial and institutional projects. The markets for plastic piping are expected to grow and the outlook is particularly good for 1972. The general outlook for pipeline equipment and supplies for the oil and gas industry in western Canada is somewhat dependent on the outcome of the many proposed pipeline projects that have been submitted to the Energy Board. Close attention is being given to the development of business in the Maritimes and the rest of eastern Canada by Cessco's Toronto Branch.

The Manufacturing Department had a busy year fabricating pressure vessels in sizes ranging from 10 inches to 15 feet in diameter and 24 inches to 182 feet in length. A substantial volume of pressure vessel heads were made and four large steel chimney liners completed. Other products included cement hoppers, truck bulkers and automatic welding machines. Field crews were actively engaged on repair work at gas plants, refineries and chemical plants, some as far north as the Arctic circle.

Mid-Western Compressor Supplies Ltd.

Mid-Western Machine Works Ltd.

Since the 1970 reorganization, Mid-Western has been engaged in restructuring its manufacturing and marketing capacities. Manufacture of pump components was recently commenced under licence from Johnston Pump Company, a move expected to broaden application of the product and strengthen the Company's competitive position in the western Canadian market.

The gas compressor parts and service business is being developed along sound lines and is expected to show improvement through the year.



Machine Tools and Industrial Equipment

In a generally weak capital goods market, sales of machine tools, industrial equipment and related supplies such as abrasives and cutting tools remained at a low level during 1971. Pump sales also declined slightly from the previous year.

Although the weakness in capital expenditures was general, the Division would appear to have moderately increased its share of the total machine tool and equipment market. Specific machines with advanced features sold well and volume increased in two equipment lines where manufacturers reduced prices. A noticeable upturn in bookings occurred in December and the trend has gained strength during the first quarter of 1972. While it is too early to predict a major upsurge, the outlook for the year has brightened considerably.

Forestry Equipment

Persisting difficulties in the forestry industries in British Columbia and Eastern Canada kept sales of new equipment at minimum levels. However, good progress was made during the year in moving used equipment with the support of a well-balanced rental policy, and inventories were reduced. The closing of three branches permitted better central-



Eight-ton automatic chucker from Yamazaki Machinery Works is an important new addition to the Division's comprehensive machine tool line.



Versatile BM-Volvo loader engaged in snow removal operations at City of Westmount, Que. Unit is one of three bought by the City.

ization of operations and inventories. The market for new equipment has shown some improvement in the first quarter of 1972 and the outlook generally is more encouraging.

Emphasis was placed during the year on the excellent line of BM-Volvo front end wheeled loaders for construction, municipal and industrial markets.

Galbraith & Sulley Sawmill Equipment

In British Columbia, sales of sawmill equipment also fell off with the unfavourable conditions in the forest industries. A good volume of Rees smokeless refuse burners were supplied to sawmills and further gains in this area are expected in 1972. The Trojan sawmill carriages are highly regarded and are expected to move well under intensified marketing programs in the current year.

Robert Morse Appliances Limited

This subsidiary distributes a broad range of high-quality household electric appliances and home entertainment products in Alberta. Such well-known makes as Panasonic, Speed Queen, Gibson, Eureka and Waste King are represented and sales targets were exceeded by a considerable margin in 1971.

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Walter M. Young

Vice President

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AUDITORS

Price Waterhouse & Co., Montreal.

TRANSFER AGENTS

The Royal Trust Company

The First National Bank of Chicago

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The Royal Bank of Canada

First National City Bank

New Jersey Bank N.A.

Continental Illinois National Bank
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Saint John

Saskatoon

Toronto

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Windsor

Winnipeg

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Evansville

Fresno

Glendora

Goodland

Hartford

Houston

Islip

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Memphis

Milwaukee

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Newark

New Orleans

New York

Oklahoma City

Omaha

Philadelphia

Pittsburgh

Portland

Poughkeepsie

Richmond

Roswell

Rutland

St. Louis

San Francisco

Seattle

Spokane

Tampa

Trenton

West Palm Beach

U.S.

Albany

Amarillo

Atlanta

Baltimore

Birmingham

Boston

Buffalo

Burlingame

Charlotte

Chicago

Cincinnati

Cleveland

Clifton

Dallas

Denver

Des Moines

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- Process control systems
- Scales and weighing systems
- Packaging equipment
- Bulk handling equipment
- Vertical irrigation and industrial pumps
- Propeller and mixed flow pumps
- Control panels
- Sawmill machinery
- Specialized production equipment for
the oil and gas industry
- Pressure vessels

CANADIAN DISTRIBUTORS OF:

- Machine tools and metalworking machinery
- Industrial equipment and supplies
- Forestry equipment
- Compressor supplies
- Pipeline equipment
- Plastic pipe



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